

Message Text

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ACTION OES-06

INFO OCT-01 NEA-10 ISO-00 ACDA-07 CIAE-00 INR-07 IO-13
L-03 NSAE-00 NSC-05 EB-08 NRC-05 FEAE-00 DODE-00
ERDA-05 SSO-00 INRE-00 SS-15 COME-00 TRSE-00
AID-05 SP-02 NSCE-00 ERDE-00 PM-04 /096 W
-----261451Z 124170 /47

O R 261300Z APR 77
FM AMCONSUL BOMBAY
TO SECSTATE WASHDC IMMEDIATE 7256
INFO AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 2 BOMBAY 0966

E.O. 11652 GDS
TAGS: TECH, ENRG, VURM, IN
SUBJ: TARAPUR FUEL STORAGE

REF: A) BOMBAY 963
B) STATE 81468

1. SUMMARY: J.C. SHAH BELIEVES THAT GOI'S SUGGESTED CHANGES IN DRAFT ERDA/IAEC AGREEMENT ARE MODEST AND THAT DIFFERENCES IN APPROACH SHOULD BE QUITE NEBTIAZZ. ON OTHER HAND, INDIANS ARE TRULY AT LOST AS TO WHAT TO DO ABOUT GE'S PROPOSALS. THEY APPARENTLY DO NOT SEE ANY WAY TO ACCEPT THEM AT LEAST IN FORM PRESENTED. THEY HOPE THAT GE WILL BE PREPARED TO ACCEPT SIMPLIER ASSURANCES AND IF NOT, THAT ERDA WILL CONSIDER AN ALTERNATIVE CONTRACTOR. END SUMMARY.

2. OVER PAST WEEK, CONGEN HAS HAD NUMEROUS EXCHANGES OF VIEWS WITH THE IAEC ON THE PROPOSED DRAFT AGREEMENTS RELATING TO THE STUDY OF THE FUEL STORAGE AT TARAPUR. CONGEN HAS EMPHASIZED THAT THE CLOSER IAEC COULD COME TO ACCEPTING THE DRAFT AGREEMENTS, AS THEY STAND, THE SOONER THE STUDY OF THE TARAPUR WASTE PROBLEM COULD BEGIN WHICH IS SOMETHING CONFIDENTIAL

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THAT THE IAEC WANTS VERY MUCH. SETHNA ACCEPTED THIS POINT BUT FOUND THAT THE DRAFT AGREEMENTS WERE SO LEGALIZTIC AND DETAILED THAT IN A NUMBER OF INSTANCES HE HAD TO CONSULT OTHER PARTS OF THE GOI. J.C. SHAH NOTED THAT THE AGREEMENTS REQUIRED NOT ONLY CONSULTATION WITH OTHER GOI AGENCIES BUT REQUIRED THE HELP OF MANY EXPERTS, BOTH LEGAL AND ENGINEERING, WITHIN THE IAEC ITSELF. AS A CONSEQUENCE,

THESE DRAFTS HAD TO BE VETTED THROUGH A LARGE BUREAUCRACY AND AN INEVITABLE RESULT WAS MUCH NITPICKING.

3. SHAH SAID THAT IN THIS PROCESS IT QUICKLY BECAME CLEAR THAT THERE WAS LITTLE HOPE OF GETTING AGREEMENT ON THE GE TEXT SO HE CONCENTRATED ON MINIMIZING SUGGESTIONS FOR CHANGES IN THE ERDA DRAFT.

4. THE PROBLEMS WITH THE GE DRAFT WERE APPARENTLY COMPLICATED BY OTHER TROUBLES THE IAEC IS HAVING WITH THAT COMPANY IN THE LATTER'S CAPACITY AS A SPARE PARTS SUPPLIER AND SERVICING AGENT FOR TARAPUR. SHAH SAID THAT MUCH OF THE LANGUAGE IN THE GE DRAFT RESEMBLES BOILERPLATE WHICH THAT COMPANY HAS BEEN TRYING TO WORK INTO OTHER CONTRACTS IT HAS WITH THE GOI.

5. SHAH RECOGNIZES THAT THE NUMBER AND EXTENT OF THE EXCEPTIONS TAKEN BY THE IAEC TO THE GE DRAFT SEEM TO POINT UP GAPS BETWEEN POSITIONS THAT WOULD MAKE IT UNFRUITFUL TO PROCEED ON THE BASIS OF THE PRESENT DRAFT. SHAH SAYS, ALTHOUGH ELLIPTICALLY, THAT THE GOI IS READY TO INDEMNIFY GE AGAINST ANY NUCLEAR INCIDENT IN INDIA RESULTING FROM THIS STUDY OR FROM APPLICATIONS OF THE STUDY'S RESULTS. BUT THE INDIAN OFFICIALS FEEL THAT GE IS ASKING FOR SOMETHING MUCH MORE, WHICH THE GOI CANNOT GIVE. HE WONDERS WHETHER ERDA COULD CONSIDER AN ALTERNATIVE CONTRACTOR AND HE MENTIONED A CALIFORNIA COMPANY IN THIS REGARD. CONGEN DID NOT ASK THE COMPANY'S NAME LEST SHAH INTERPRET SUCH A QUESTION AS INDICATING OUR READINESS TO SEEK ALTERNATIVE

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CONTRACTORS AT THIS POINT. SHAH BELIEVES THAT MANY OF GE'S CONCERNS REALLY RELATE TO REMOTE CONTINGENCIES. HE SAID THAT IT WILL BE THE IAEC'S TASKS TO APPLY THE FINDINGS OF THIS STUDY AND THAT IT WILL BEAR FULL RESPONSIBILITY FOR ANYTHING IT DOES ON THE BASIS OF THE STUDY. THIS RELATES TO HIS POINT THAT THE IAEC IS WILLING TO GUARANTEE GE AGAINST ANY NUCLEAR INCIDENT IN INDIA.

6. COMMENT: IT IS TRUE, OF COURSE, THAT WE HAVE ALWAYS HAD DIFFICULTY IN GETTING QUICK IAEC AGREEMENT ON ANYTHING THAT SETHNA HAD TO REFER TO HIS STAFF. IT PROBABLY IS TRUE THAT THE GE PROPOSALS RAISE SOME GENUINELY DIFFICULT PROBLEMS FOR THE IAEC BUT IT ALSO SEEMS CLEAR THAT THERE IS LITTLE INCLINATION TO ACCOMMODATE GE ON THIS MATTER, BECAUSE OF OTHER DIFFICULTIES REAL OR IMAGINED THAT THE IAEC HAS HAD WITH THAT COMPANY. BUT MORE IMPORTANTLY, SETHNA SEEMS UNWILLING TO TAKE A STRONG HAND IN THIS MATTER AT THIS TIME. HE IS, OF COURSE, PRE-OCCUPIED IN ESTABLISHING HIS CREDENTIALS WITH THE

NEW LEADERS IN NEW DELHI. HE OBVIOUSLY DOES NOT WANT TO GET INTO A POSITION EARLY IN NEW ADMINISTRATION, WHERE THE CRITICS OF HIS STAFF, AND HE HAS MANY, COULD PORTRAY HIS AS BEING OVERLY FORTHCOMING IN NEGOTIATIONS WITH FOREIGNERS. END COMMENT.

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C O N F I D E N T I A L SECTION 2 OF 2 BOMBAY 0966

7. THERE FOLLOW SPECIFIC REMARKS ON THE ATTACHMENT TO
SHAH'S LETTER:

(1) BOTH AGREEMENTS.
IN MEETINGS IN WHICH CONGEN HAD PARTICIPATED WITH
THE IAEC ON THIS MATTER THEIR LAWYERS HAVE CONSISTENTLY
RAISED PROBLEMS ABOUT HAVING THREE SEPARATE AGREEMENTS
DEALING WITH THIS STUDY. AS THEY SEE IT, THERE WOULD BE
ONE BETWEEN IAEC AND ERDA; A SECOND, BETWEEN ERDA AND
GE (OF WHICH THEY HAVE NOT BEEN OFFERED THE TEXT), AND
A THIRD BETWEEN THE IAEC AND GE. THEY SAY THAT FOR
THEM IT WOULD BE BETTER TO HAVE A SINGLE AGREEMENT TO WHICH
THE THREE PARTIES WOULD SUBSCRIBE. CONGEN POINTED OUT
THAT HE DID NOT KNOW OF ANY PRIVATE PARTY ASKED TO
BECOME A PARTY TO THE TYPE OF ERDA-IAEC AGREEMENT ENVISAGED.
WHILE SHAH HAS LEFT THE DOOR OPEN TO PROCEED WITH APPROACH
INVOLVING THREE SEPARATE AGREEMENTS IT IS CLEAR THAT HE EXPECTS
OTHER PARTS OF GOI TO RESIST THIS APPROACH. WOULD BE BE POSSIBLE
TO HAVE JUST TWO AGREEMENTS, THE PRESENT IAEC-ERDA AGREEENT
AND A SECOND SPELLING OUT IAEC AND THE
CONTRACTURAL OBLIGATIONS OF GE WITH RESPECT TO BOTH
GOVERNMENTS. THIS APPROACH MIGHT WELL BE MORE
ACCEPTABLE TO THE INDIANS.
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(2) ERDA-IAEC AGREEMENT.

(A) TITLE AND PREAMBLE. SHAH REPRESENTS THIS RE-WRITE AS AN ATTEMPT TO PHRASE THE INTRODUCTION TO THE AGREEMENT IN A WAY THAT IS EASIER TO PUSH THE INDIAN BUREAUCRACY. THE SUBSTANTIVE CHANGE IS THAT HIS LANGUAGE INDICATES THAT BOTH PARTIES SEEK THE INFORMATION THAT WOULD RESULT FROM THE STUDY WHEREAS OUR DRAFT INDICATES THAT IT IS BEING UNDERTAKEN BY ERDA AT THE REQUEST OF IAEC. CONGEN POINTED OUT THAT THE IAEC HAS INFORMALLY ASKED FOR THIS HELP MANY TIMES.

(B) CLAUSE 1. THIS IS AN ATTEMPT TO SPELL OUT THE SCOPE OF THE STUDY IN RATHER GENERAL TERMS. SHAH SAYS THAT WITHOUT SUCH A STATEMENT, MANY GOI OFFICIALS WILL HAVE GREAT DIFFICULTY IN UNDERSTANDING OR ACCEPTING THE NEED FOR A LONG COMPLICATED AGREEMENT THAT SAYS PRACTICALLY NOTHING ABOUT THE SUBSTANCE OF THE ACTIVITY TO BE UNDERTAKEN.

(C) CLAUSE 4(A). CONGEN POINTED OUT THAT THIS ADDITION MAY CONFLICT WITH THE GOI'S HESITANCY ON LIABILITY BECAUSE IT SEEMS TO CALL FOR GE TO PRODUCE RECOMMENDATIONS AND DESIGNS IN WHICH THAT COMPANY MIGHT NOT HAVE FULL CONFIDENCE. MOREOVER) THE INITIAL PHRASE IMPLIES A TIME FACTOR THAT MIGHT BE DIFFICULT FOR THE CONTRACTOR, PARTICULARLY IF THERE ARE ANY DOUBTS ABOUT SAFETY.

(3) THE IAEC-GE AGREEMENT.

IN RULING OUT SUCH CRITICAL POINTS AS ARTICLES I(A), I(C), ARTICLE II(C), AND ARTICLE III, THE IAEC REALLY GUTS THIS AGREEMENT AND RAISES QUESTIONS ABOUT THE BASIC APPROACH.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STORAGE, NUCLEAR COOPERATION PROGRAMS, NUCLEAR FUELS
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BOMBAY00966
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770145-0296
Format: TEL
From: BOMBAY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770420/aaaaaqxr.tel
Line Count: 217
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4819969f-c288-dd11-92da-001cc4696bcc
Office: ACTION OES
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 BOMBAY 963
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2698762
Secure: OPEN
Status: NATIVE
Subject: TARAPUR FUEL STORAGE
TAGS: TECH, ENRG, PARM, IN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4819969f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009